

Message Text

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SS-20 USIA-15 SAM-01 EB-11 OMB-01 SCI-06 FEA-02

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TAGS: EIND, ETRD, CZ

SUBJ: SHORT SUPPLY PROBLEMS

REF: STATE 23940; STATE 22871; PRAGUE 105 AND 166

1. MINISTRY OF FOREIGN TRADE OFFICIAL ASSURES EMBASSY THAT CZECHOSLOVAKIA HAS NO EXPORT CONTROL REGULATIONS IN EFFECT WHATSOEVER, AND THAT IN FACT EXPORTS IN MOST CATEGORIES OF BASIC MATERIALS

(ALTHOUGH SMALL IN COMPARISON WITH MAJOR RAW MATERIALS PRODUCERS) ARE INCREASING.

2. IN AN ECONOMY WHERE COMMODITY IMPORTS AND EXPORTS ARE FUNNELLED THROUGH A CENTRALLY-CONTROLLED FOREIGN TRADE APPARATUS, HOWEVER, EXPORT RESTRICTIONS MAY BE EFFECTIVELY IMPOSED WITHOUT FORMAL CONTROLS SIMPLY BY A SLOW-DOWN IN SALES ACTIVITY OF FOREIGN TRADE ORGANIZATIONS (FTOS). FOR EXAMPLE, AT PRESENT WE ARE TOLD THAT FERROMET FTO, WHICH HAS STATE MONOPOLY ON IMPORTS AND EXPORTS OF IRON AND STEEL, IS NOT ACCEPTING ORDERS FOR STEEL PRODUCTS FROM U.S. BECAUSE PRODUCTIVE CAPACITY OF NATION'S STEEL MILLS IS FULLY TAKEN UP BY PRESENT USERS.

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3. CZECHOSLOVAKIA HAS POOR RAW MATERIALS BASE AND IS THEREFORE A

NET IMPORTER OF BASIC COMMODITIES. WHILE EXPORTS OF MOST GOODS ROSE IN PAST YEAR, WE WOULD HAVE NO WAY OF CONFIRMING OR DENYING MFT OFFICIAL'S ASSERTION THAT THEY ARE CONTINUING TO RISE EXPECTED BY UNDERTAKING COMPLETE SURVEY OF ALL FTOS, WHICH WE DOUBT WOULD PRODUCE MUCH HARD INFORMATION. WE DO KNOW THAT SEVERAL REQUESTS RECENTLY REFERRED TO EMBASSY BY U.S. FIRMS SEEKING SOURCES OF SUPPLY FOR SUCH ITEMS AS PHOSPHATES, POLYMERS, PLASTICS PRODUCTION MATERIALS (STYRENE,

VINYL, POLYOLEFINS) AND SPECIALTY PAPERS, ELICITED NEGATIVE RESPONSE FROM FTOS WE QUERIED. MOST OF THESE ITEMS, HOWEVER, ARE NOT TRADITIONAL CZECHOSLOVAK EXPORTS.

4. AS FOR BARTER DEALS IN ENERGY, CZECHOSLOVAKIA DEPENDS ON SOVIETS ALMOST COMPLETELY FOR CRUDE OIL--95 PERCENT OF DOMESTIC SUPPLY IN 1972--ALTHOUGH THIS PERCENTAGE IS LIKELY TO FALL IN FUTURE AS IMPORTS FROM SOVIET UNION FAIL TO KEEP PACE WITH GROWTH IN CZECHOSLOVAK CONSUMPTION. TO MEET PROJECTED SHORTFALLS, CZECHS CONTRACTED BARTER DEAL WITH IRAQ IN 1972 FOR 2.2 MILLION TONS OF CRUDE OIL TO BE DELIVERED OVER THREE YEARS IN RETURN FOR INDUSTRIAL EQUIPMENT, CONSUMER GOODS AND GRANT ASSISTANCE FOR INDUSTRIAL PROJECTS INCLUDING CRUDE OIL REFINERY IN BASRA. IT WILL BE NECESSARY FOR CZECH TO MEET EXPECTED SHORTFALLS AFTER 1975 ON THE OWRLD MARKET, BUT WHETHER SIMIAR BARTER ARRANGEMENTS CAN BE WORKED OUT IS OPEN TO CONJECTURE. (WE ASSUME THAT LIBYAN VISIT HERE--PRAGUE 287--MAY ALSO LEAD TO OIL-MANUFACTURERS TRADEOFF.)

5. CONCERNING NATURAL GAS, CZECHOSLOVAKIA CURRENTLY RECEIVES IN PAYMENT FOR TRANSIT RIGHTS TEN PERCENT OF GAS SOVIETS SHIP IN PIPELINE ACROSS CZECHOSLOVAKIA TO AUSTRIA EAST AND WEST GERMANY AND, BEGINNING IN 1974, ITALY. WHEN PIPELINE REACHES MAXIMUM CAPACITY (28 BILLION CUBIC METERS) CZECHS WILL RECEIVE 13 PERCENT IN PAYMENT OR 3.6 BILLION CUBIC METERS, NEARLY ONE-THIRD OF CURRENT (1972) DOMESTIC OUTPUT.

6. CZECHOSLOVAKIA HAS AMPLE RESERVES OF SOFT BROWN COAL AND SOME HARD COAL, BOTH OF WHICH IT EXPORTS TO FRG AND CEMA PARTNERS; HOWEVER, CZECHS ARE NET IMPORTERS OF HARD COAL, MOSTLY FROM POLAND AND USSR. WE ARE UNAWARE OF ANY BARTER ASPECTS IN THIS TRADE.

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7. FINALLY, THERE IS SOME EVIDENCE THAT CZECHOSLOVAKS ALONG WITH OTHER EE COUNTIRES ARE BEING REQUIRED BY SOVIETS TO INVEST FURTHER IN VARIOUS RAW MATERIALS EXTRACTION PROJECTS IN USSR AS MEANS OF INSURING CONTINUING FLOW OF NECESSARY INDUSTRIAL RAW MATERIALS, INCLUDING OIL AND GAS, BEYOND PRESENT CONTRACT TERMS WHICH EXPIRE IN 1975.
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